LEVI STRAUSS & CO. 1979 ANNUAL REPORT



**LEVI'S** LEVI STRAUSS & CO.®

Quality never goes out of style.

**LEVI'S** JEANSWEAR®

Jeans and fashion jeans, jackets, vests, shorts and western wear.

**LEVI'S** YOUTHWEAR®

Boys' and girls' jeans and pants, jackets, shirts, knit tops, activewear, Koveralls™, and vests.

**LEVI'S** SPORTSWEAR®

Dress and casual slacks, sports jackets, suits, vests, shirts, sweaters, and outerwear.

**LEVI'S** WOMENSWEAR®

Women's sizes, Young Misses, Juniors, Traditional Misses and Tops.

**LEVI'S** ACCESSORIES®

Men's and women's dress and casual belts, wallets, caps, hats and luggage.

**LEVI'S** ACTIVEWEAR®

Men's and women's runningwear, tennis and racquetwear, skiwear, warmups and all purpose sports apparel.

**LEVI'S** SHIRTS®

Shirts and knit tops.

# LEVI STRAUSS CANADA

The Canadian division of Levi Strauss International is made up of both Levi Strauss Canada and GWG.

Sales figures include both GWG's and Levi Strauss Canada's sales.

Dollar amounts in millions (U.S.)

| | 1979 sales | 1978 sales | Percent increase |
|---|---|---|---|
| CANADA (GWG & Levi Strauss Canada) | 139.6 | 114.8 | 22 |

Early in 1961, Levi Strauss and Company of San Francisco acquired a majority interest in GWG. In 1972 GWG became a wholly-owned subsidiary of the U.S. firm.

## FINANCIAL HIGHLIGHTS
(Dollar Amounts in Thousands Except Per Share Data)

| Fiscal Year | 1979 | 1978 | %Increase (Decrease) |
|---|---|---|---|
| Net Sales | $2,103,109 | $1,682,019 | 25.0% |
| Net Income | $ 191,454 | $ 144,969 | 32.1 |
| Dividends Declared | $ 40,391 | $ 34,972 | 15.5 |
| Stockholders' Equity | $ 681,190 | $ 575,318 | 18.4 |
| Working Capital | $ 557,409 | $ 521,822 | 6.8 |
| Property, Plant & Equipment—Net | $ 188,495 | $ 141,319 | 33.4 |
| Average Common and Common Equivalent Shares Outstanding | 41,784,058 | 44,229,872 | (5.5) |
| Per Share | | | |
| Net Income | $ 4.58 | $ 3.28 | 39.6 |
| Dividends Declared | $ 1.00 | $ .80 | 25.0 |

Share and per share data adjusted for two-for-one stock split effected December 10, 1979.

Contents

To Our Shareholders 2
Special Tribute 5
Operations Review 7
Financial Review 16
Geographic Areas 19
10-Year Financial Summary 20
Balance Sheets 22
Statement of Income 23
Statement of Stockholders' Equity 23
Statement of Changes in Financial Position 24
Accounting Policies 25
Notes to Financial Statements 26

Cover and Photos

The warm-up suit displayed on the cover, developed by Levi Strauss & Co. for Olympics athletes, was the prototype for a similar garment marketed by the Activewear Division. The full-page photos elsewhere in this report show the diversity of the company's products in settings which depict them as wardrobes assembled prior to packing.

The Olympics

As this annual report goes to press late in January, 1980, there is a possibility that U.S. athletes will not participate in the Summer Games at Moscow. If this should happen, Levi Strauss & Co. is prepared to modify its marketing plans and promotional strategy. It is our intention to provide continuing support to the Olympics consistent with our Government's position, and to maintain planned advertising investment and promotional support through our sports promotion program.

For Levi Strauss & Co., 1979 was a year of high achievement and deep sadness.

The sadness began early in December with the passing of two former executives who over some 50 years established the human values and standards of business excellence which underlie the company's success. They were Walter A. Haas, Sr., honorary chairman of the board, and Daniel E. Koshland, honorary chairman of the executive committee. Their contributions are summarized in a special tribute following this letter.

Late in December, the company's grief was compounded by the death of George J. Daly, executive vice president, finance and administration, and a director. George joined us in 1973 during a difficult period, and guided the transition in our financial operations which enabled the company to reach its current size and financial strength. His innovations are woven into the fabric of the company's corporate administration and endure as a memorial to a man of exceptional talent.

**1979 Results**

High achievement was reflected in the company's 1979 performance, from which flowed the theme of this year's annual report, "Excellence."

In 1979, sales and earnings records again were broken. Compared to the previous year, sales climbed 25 percent to $2.1 billion and net income advanced 32 percent to $191.5 million. On a per share basis, improvement was even sharper, climbing nearly 40 percent to $4.58. These results were achieved while staying well within the government's anti-inflation price guidelines.

To celebrate attainment of more than $2 billion in annual sales, employees in December were awarded cash bonuses and commemorative gifts. This $6.6 million program echoes similar awards in 1975, when the company crossed the $1 billion sales mark. It's noteworthy that though it took the company 125 years to reach the first billion dollars in sales, the second billion came just four years later.

In addition to sharing its 1979 success with employees and shareholders, the company nearly doubled its charitable contributions to $7.1 million. This included a special grant of $500,000 to be distributed among organizations serving communities where our facilities are located and based on recommendations by our Community Involvement Teams.

Both domestic and international operations last year turned in excellent performances. Combined revenues of the divisions which serve U.S. markets were $1.3 billion, an increase of 23 percent over the preceding year. International sales grew at an even greater rate to $764 million, an increase of 29 percent over 1978.

Noteworthy among the strong divisional records were the Jeanswear Division, with sales volume surpassing its previous record set in 1977, and the Womenswear Division, which nearly doubled sales over 1978. In International operations, the Europe and Latin America divisions achieved sales increases of nearly 30 percent.

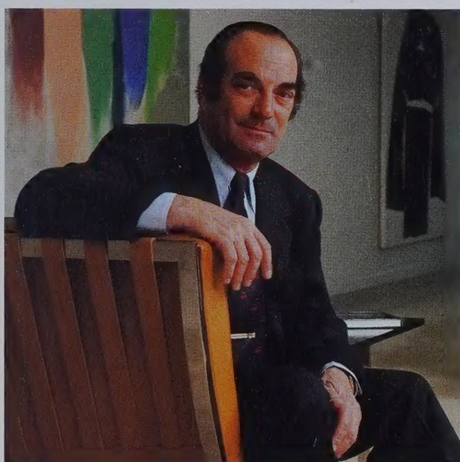
Walter A. Haas, Jr.

A significant factor in the company's overall operating improvement last year was the expanded range of products offered, supported by specialized sales, merchandising and advertising. These tactics flow from the strategy of focusing on specific sectors within existing markets to develop their latent potential.

**Cash Generation**

The company's vitality and efficiency generated ample cash to expand the business, purchase a portion of the common stock outstanding, pay a higher dividend and underwrite a major acquisition. Yet despite these substantial applications of cash, the company ended the year with a strong balance sheet.

• Capital expenditures last year reached a record $51 million, a reinvestment of cash flow necessary for future growth in sales and earnings.



Peter E. Haas

• In February of 1979, the company purchased from shareholders 2 million shares of its common stock. This reduction of outstanding shares added 24 cents to per share earnings, after adjustment for a 2-for-1 split of the company's stock in December of 1979.

• In July, the annual dividend rate was raised to $1.10 per share from 90 cents.

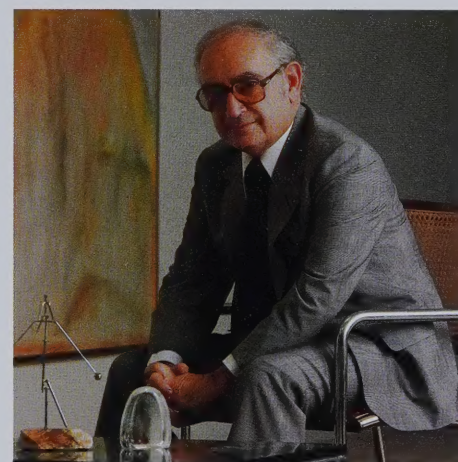
• In September, the company completed acquisition of Koracorp Industries Inc., a major apparel company with 1978 net income of $7.8 million on sales of $185 million. The $70-million price was paid approximately half in cash and half in company stock. Re-designated Diversified Apparel Enterprises, Inc., the San Francisco-headquartered company illustrates our general acquisition criteria. It is a sizeable, profitable, well-managed company with apparel products related to those we currently market.

**Structural Realignment**
To keep pace with the company's rapid expansion and provide for orderly management succession, a structural realignment was implemented in January of 1980. The new framework consists of three major operating units headed by presidents reporting to Chief Operating Officer Robert T. Grohman:

• Levi Strauss USA was established to consolidate the six divisions serving domestic markets. Francis J. Brann, formerly executive vice president of the Sportswear Group, was named president of the new operating unit, which includes three groups. Alfred V. Sanguinetti, formerly executive vice president of the U.S. Jeanswear Group, was named president of Group I of Levi Strauss USA.

• Levi Strauss International was formed to replace the International Group. Thomas W. Tusher, formerly executive vice president of the International Group, was named president of the new entity, which includes five divisions serving international markets. The former Europe Division was separated into two divisions, Continental Europe and Northern Europe. This new group will be headed by Peter L. Thigpen as executive vice president. Previously Thigpen was president of the Europe Division.

• The New Business Group was established to direct activities in this area and includes Diversified Apparel Enterprises, formerly Koracorp Industries Inc., and the Eximco Division, which handles development of special markets, as well as worldwide sourcing and licensing activities. Robert D. Haas, formerly senior vice president, corporate planning and policy, was named president of the new group. David A. Kaled was promoted to vice president, corporate planning and policy.



Robert T. Grohman

**Board of Directors**
In mid-1979, two of our most distinguished executives retired from the company and its board of directors. They are Melvin L. Bacharach, executive vice president, and Daniel W. Baran, group senior vice president. Each of these individuals spent more than 20 years with the company, earning successive promotions through vital contributions. Mr. Bacharach forged the company's basic marketing strategies as well as stimulating such product innovations as Sta-Prest®, and in recent years headed the Eximco Division. Mr. Baran raised credit management to an art which still contributes significantly to the strength of our cash flow.

In the past 12 months, five new members were designated to fill vacancies in our board of directors:

• Barbara Scott Preiskel, a distinguished attorney, will become our second woman board member on May 1, 1980. Mrs. Preiskel currently serves as senior vice president and

general attorney of the Motion Picture Association of America, Inc. She also is a director of Amstar Corp., Jewel Companies, Inc., and Textron, Inc.

- Francis J. Brann, president, Levi Strauss USA
- Thomas W. Tusher, president, Levi Strauss International
- Robert D. Haas, president, New Business Group
- Peter T. Jones, senior vice president, general counsel

**Sports Promotion Activity**

In 1980 we will complete a major sports promotion, the Levi Strauss & Co. Olympics program.

In addition to heavy network TV advertising, this comprehensive marketing program includes the creation of special products and continuing promotion on a scale unprecedented in the apparel industry. We developed an advanced warm-up suit which U.S. athletes wear as they accept their medals on the Victory Stand. We are outfitting the U.S. Olympics competitors in parade and travel uniforms which will be seen by millions of TV viewers. The uniforms, incidentally, will be carried in Levi's® luggage.

Based on the products designed for the athletes, we have developed sports merchandising collections. These products were supported with a winter promotion based on a sweepstakes entitled "Be the Best You Can Be," which generated a record 1.2 million consumer responses. This nationwide activity will be followed by a spring promotion featuring 10 major prizes.

Retail response to our sports program has been exceptional. This promotional activity is having a favorable impact on all marketing efforts as well as providing a launching pad for the new products introduced by the Activewear Division.

**1980 Outlook**

Current economic indicators suggest a recessionary business environment, particularly in the retail sector. Though no business is recession-proof, Levi Strauss & Co. has certain characteristics which provide a degree of insulation in a soft economy. They include the diversity of our apparel product categories, the geographic breadth of our markets, a proven record of dependability as a retail supplier, and the strength of the Levi's® brand with its connotations of value, quality and durability — potent consumer selling propositions in times of economic trial.

Therefore, we look forward to the coming year with confidence, though we recognize that it will be a challenging period.

As in previous years, the dedication of our employees and loyalty of our customers made our success possible. We sincerely thank these individuals for their contributions and our shareholders for their support.

Walter A. Haas, Jr.
Chairman of the Board

Peter E. Haas
President and Chief
Executive Officer

Robert T. Grohman
Executive Vice President
and Chief Operating Officer

January 18, 1980

## WALTER A. HAAS, 1889-1979
## DANIEL E. KOSHLAND, 1892-1979

If men are best measured by what they leave behind, two giants departed from Levi Strauss & Co. in December of 1979.

These leaders were Walter A. Haas, honorary chairman of the board, and Daniel E. Koshland, honorary chairman of the executive committee. The closest of friends, they shared the humility of the truly great, yet their vigor, intelligence and foresight significantly influenced the company over more than 50 years.

Their business legacy is the world's largest apparel firm. But more importantly, they leave a company whose touchstones are integrity and excellence, coupled with social responsibility.

Their civic legacy is one of community leadership, service and generous philanthropy to a wide variety of worthy causes.

In addition to these highly visible contributions, they left a profound impression on literally hundreds of Levi Strauss & Co. employees: the certainty that they were treasured friends first, and employees second.

Walter A. Haas assumed leadership of the company in 1919. His first major decision was that the then small firm be continued rather than liquidated. His subsequent success and that of the company were documented in March of 1979 when he was elected to Fortune magazine's "Hall of Fame for Business Leadership," where he joined such figures as Andrew Carnegie, Thomas A. Edison and John D. Rockefeller. Along the way he became one of San Francisco's most enlightened and compassionate civic leaders. Yet above all, he was the archetypal "family man," with a difference. His "family" included employees of Levi Strauss & Co. In fact, the day before he died he attended an office luncheon honoring long-time employees and retirees.

Daniel E. Koshland joined the firm in 1922: "I came to Levi Strauss & Co. as assistant treasurer or something like that. In the early days titles didn't mean much." But performance did. Mr. Koshland grew with the company and was president from 1955 to 1958 after Walter Haas became board chairman.

In addition to Mr. Koshland's contributions to the firm, he was a noted philanthropist and community leader, engaging in numerous activities which reflected his devotion to fair labor practices and the welfare of minorities and youth. He was a member of the State Industrial Commission under four governors, serving as chairman of that organization for eight years, and was a long-term lay appointee to the city's Juvenile Court.

Mr. Koshland also played pivotal roles in establishing the San Francisco Foundation, which now donates millions of dollars annually to the arts and the underprivileged, and in founding the San Francisco Council for Civic Unity, an organization which furthers the welfare of minorities and newcomers to the Bay Area.

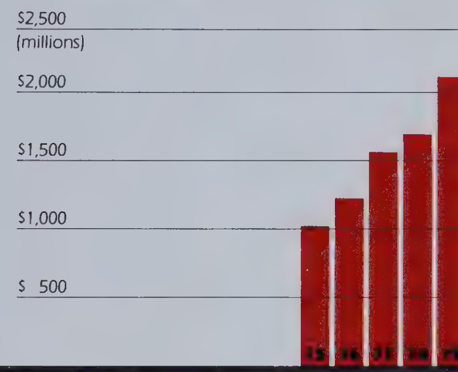
The two men were united in their efforts to promote the welfare of minorities. They inaugurated the company's policy of hiring and promoting minorities decades before such activity emerged on the U.S. business scene. It should come as no surprise that these men also insisted that the working conditions of their employees be the finest in the apparel industry.

Messrs. Haas and Koshland set standards of excellence in terms of professional achievement, personal integrity, civic leadership, loyalty to family and friends, and simple day-to-day humanity. We will not see their like again.


THE INDIAN WARS

This casual wardrobe consists of Jeanswear Division products, with a western hat from Diversified Apparel Enterprises, belt and bandana from the Accessories Division, boots from Levi's for Feet® and Levi's® socks.

**Consolidated Net Sales**




The company's 1979 operations demonstrated across-the-board excellence, fully reflected in the most obvious criteria of success: growth in sales and profitability. The quality of excellence also was recognized with citations to Levi Strauss & Co. Community Involvement Teams serving areas where company facilities are located, awards for outstanding advertising, and accolades from U.S. Olympics athletes for the most advanced warm-up suit available.

In addition, excellence was manifest in other areas which have long-range implications. The range of products offered was broadened in both domestic and international regions, and specialized sales and merchandising units were established to support promising product categories within existing markets. Meanwhile the foundation of regular jeans business was strengthened in the U.S. and abroad.

As has been the case in recent years, incremental improvement continued in plant efficiency, inventory control and marketing tactics. Research and development efforts were expanded in the areas of marketing, cost saving equipment and product and fabric improvement.

Sales comparisons of major operating units are shown in the following tables.*

**Levi Strauss USA**
(Dollar amounts in millions)

| Division | 1979 Sales | 1978 Sales | Percent Increase |
|---|---|---|---|
| Jeanswear | $743.1 | $658.7 | 13 |
| Youthwear | 217.8 | 184.2 | 18 |
| Sportswear (including Activewear) | 120.7 | 120.6 | — |
| Womenswear | 197.4 | 99.2 | 99 |
| Accessories | 15.6 | 14.3 | 9 |

**Levi Strauss International**
(Dollar amounts in millions)

| Division | 1979 Sales | 1978 Sales | Percent Increase |
|---|---|---|---|
| Europe | $389.7 | $305.7 | 28 |
| Canada | 139.6 | 114.8 | 22 |
| Latin America | 134.7 | 103.5 | 30 |
| Asia/Pacific | 74.1 | 61.0 | 21 |

*For marketing purposes, divisional sales are evaluated separately, although there is substantial overlap among some products offered by the various operating units. 1978 results have been restated to reflect changes in organizational structure.

For the company as a whole, capital expenditures increased to a record level of $51 million in 1979. Of this total, 63 percent was spent on domestic facilities and 37 percent on international.

Advertising expenditures last year increased 41 percent to $66.7 million, equaling 3.2 percent of sales. This compares with a 1978 total of $47.4 million, amounting to 2.8 percent of sales.

## Levi Strauss USA

This operating unit consists of six divisions serving domestic markets.

### JEANSWEAR DIVISION

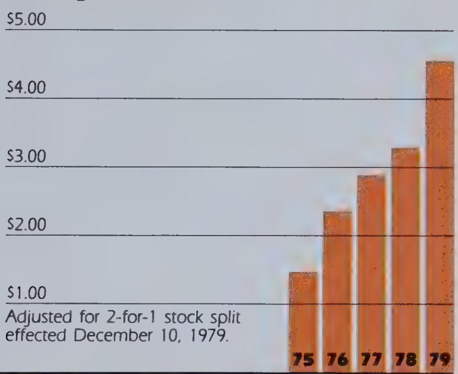
Jeanswear Division sales last year surpassed the previous record established in 1977. This represented a recovery from 1978 when sales softened on a year-to-year basis, primarily a reaction to exceptional growth in 1977 during vigorous retail price competition. Though competitive retail pricing continued sporadically in 1978 and 1979, it did not have the dramatic influence on consumer buying manifest in 1977, its initial year.

Another 1979 phenomenon was a shift in consumer preference toward straight-leg jeans, as differentiated from bell bottoms. This trend received impetus from the "designer jeans" surge which flourished during the period, and essentially elevated the classic straight-leg into the fashion category. For Levi Strauss & Co., which originated the basic straight-leg jeans more than 100 years ago, this was a favorable development, since many consumers who did not wish to pay premium prices for designer labels followed the trend by choosing Levi's® jeans. Consumer preferences oscillate between straight-leg and bell types on a regional basis, yet each style maintains a significant following at all times. The


Fokker DVII
SE5A
USA

Youthwear garments range from fashion jeans and vest designed for older boys to Little Levi's® railroad Koveralls™.

**Earnings Per Share**



Adjusted for 2-for-1 stock split effected December 10, 1979.

same phenomenon, waxing and waning regionally, applies to corduroy versus denim as the most popular jeans fabric.

In line with the overall U.S. demographic shift toward an older population, augmented marketing efforts were focused on the Levi's® for Men product category. A separate sales force was established to concentrate on this market sector, supported by specialized advertising and merchandising. As a result of these intensified efforts, Levi's for Men sales increased more than 70 percent over 1978.

In related actions, specialized sales support also was developed for the fashion jeans and tops (shirts and jackets) product categories. Continuing this evolution, 1980 plans call for shirts to become a fully integrated operating division.

Further market penetration also was achieved in the East, spurred by the addition of more sales representatives and a proportionately heavier advertising budget.

To support the 1979 sales resurgence, the division resumed production in three of its plants which had been assigned to Youthwear and Womenswear during 1978.

YOUTHWEAR DIVISION

The Youthwear Division crossed the $200 million sales mark last year, consolidating its position as one of the largest brand name manufacturers of youthwear. Its product range was broadened with entry into the youngsters' participant sportswear market through jogging suits, sweat shirts and shorts and related garments.

Progress last year was also significant in two businesses the division had entered in 1978. Sales of girlswear more than doubled, and toddlers' clothing more than tripled. At mid-year the division entered the teen girls market, a business which grew so rapidly that it accounted for 15 percent of the girlswear total.

The number of specialty sales representatives doubled and new merchandising departments were formed for junior boys and student tops, and youngsters' participant sportswear.

WOMENSWEAR DIVISION

Womenswear, the company's most rapidly growing division, nearly doubled its sales last year, reaching a level approximating $200 million. This sharp growth indicates the division's potential in the vast womenswear market, which exceeds that of menswear in size.

Despite the drain on its resources resulting from increased sales, the division made significant progress in further specializing its marketing activities. During the past year staffing was completed for a women's larger size marketing unit, and a young misses marketing capability was developed. The young misses garments are designed for the consumer whose taste favors junior's styling, but who requires misses sizes, a new concept enthusiastically accepted by retailers. In mid-1980, when another marketing division, women's tops, is launched, Womenswear will have five specialized marketing units, up from two at the beginning of 1979.

In addition to marketing specialization, an important factor in last year's shipments was the "Bend-Over®" pant, a stretch fabric garment which became the single largest selling women's pant.

To provide for the division's sales potential, ground was broken last year on a $35-million distribution center, which will become the company's largest such facility.

SPORTSWEAR DIVISION

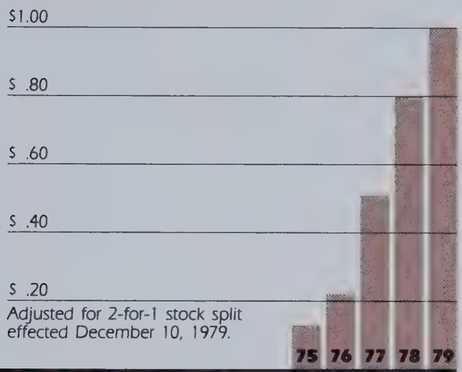
The most significant development in the division last year was introduction of Levi's® Action Slacks. This garment, cut from a stretch fabric with expandable waistband construction, has been termed the most comfortable slacks available, yet appearance is not sacrificed. Though Levi's Action Slacks were not introduced to consumers until July, demand during the balance of the year outstripped production capacity, and market reports indicate it is now the leading basic product of this type for men. Capitalizing on the success of this product, a Levi's Action Suit was introduced to retailers in October, and a young men's version of Levi's Action Slacks was introduced in January of 1980.

Though sales in the men's sector grew significantly, the retail environment for young men's sportswear was sluggish, and the division ended the year with sales at approximately the same level as in 1978.

VICTORY
LANE
PRESS
PRESS

Sportswear products include the Levi's® Action Suit, hanging on closet door, and Levi's Action Slacks, in drawer. The leather checkbook case is from the Accessories Division.

**Dividends Declared Per Share**




Division marketing strategy was refocused in line with consumer research studies which indicated prominent use of the Levi's® identification was more effective than most secondary brand names. Products now are identified as Levi's® Sportswear, differentiated by "Tailored for Men" and "Styled for Young Men," plus "David Hunter®" which consists of updated fashion. Three separate sales and merchandising units also were established to provide specialized support.

ACCESSORIES DIVISION
The Accessories Division's sales force was increased by more than 10 percent during the year, as greater emphasis was brought to bear on larger population centers. Improved point-of-sales aids were developed for the division's primary products, belts, casual hats and wallets for men and women.

ACTIVEWEAR DIVISION
The Activewear Division last year expanded its products from skiwear into warm-up suits, shorts and tops for a variety of participant sports, including tennis, running and racquetball. The garments, which include male and female styles, emphasize functional quality, without neglecting styling considerations. Initially, the products are being offered in the 25 largest markets in the U.S.

The division's entry into the marketplace followed a three-year comprehensive study of the activewear market, including the test marketing of skiwear. The activewear market was found to be large and highly fragmented, with no major American brands offering a full range of products. Findings also showed that the Levi's® brand attributes of comfort and durability were recognized as highly desirable characteristics in active apparel.

**Levi Strauss International**
This operating unit consists of divisions structured along geographical lines and serving international markets.

EUROPE DIVISION
A major effort in the Europe Division was continuing development of new product types as an extension of the basic jeans business. These categories included sportswear, youthwear and women's-fit jeans, with specialized sales forces added for sportswear and youthwear products.

An example of the success of these programs is provided by sportswear unit sales in Northern Europe, which advanced more than 70 percent over the preceding year. A parallel sportswear effort in Continental Europe did not fare as well, therefore late in the year the two activities were consolidated.

In addition to the division's general sales increase of 28 percent, significant progress was achieved in the development of an additional distribution channel in the United Kingdom and increased volume through major buying chains in Scandinavia.

In January of 1980, this operating unit was separated into two divisions, Continental and Northern Europe.

CANADA DIVISION
The Canada Division last year increased dollar volume by nearly 22 percent, reflecting both improvement in the region's general economy and more effective marketing.

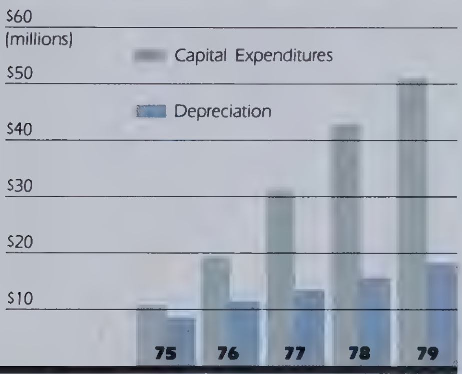
Notable successes were achieved in women's-fit jeans and the youthwear product categories, which were expanded to offer a complete size range. In a related marketing action, specialized sales forces were added in these product categories with gratifying results.

LATIN AMERICA DIVISION
Significant percentage sales gains were achieved in all countries served by the division except Puerto Rico, where the general economic environment remains depressed. Most impressive results were in Brazil and Mexico, where dollar sales increased 30 and 31 percent, respectively.

The company's largest single capital investment outside the U.S. was marked with the dedication of a 250,000-square foot manufacturing and distribution facility near Sao Paulo, Brazil. The $10-million complex was completed on schedule, and operations were transferred from three previous locations without interruption in shipments.

The company's womenswear products range from white Bend-Over® poplin pants to the Koret of California® separates outfit.

**Capital Expenditures/Depreciation**




ASIA/PACIFIC DIVISION
Record sales and earnings were achieved in the Asia/Pacific region, even though the imposition of new duty rates at mid-year in Indonesia effectively barred the company from that area during the second half of the year. Plans are under way, however, for an alternate method of distributing in Indonesia through a licensing agreement.

In Japan, sales reached record levels, with distribution augmented by increasing the number of retail accounts as well as upgrading the quality of their product presentations at point of sale.

Since the primary objective in the Asia/Pacific Division was increasing jeanswear sales, there was no major product diversification activity in 1979.

**New Business Group**
This operating entity consists of Diversified Apparel Enterprises (DAE) and the Eximco Division.

DIVERSIFIED APPAREL ENTERPRISES
In the U.S., Canada and Europe, DAE markets products which are characterized by a number of strong brands: Koret of California®, for more than 40 years a significant factor in misses coordinates; Resistol® hats, which include the finest western type available, as well as Dobbs® and Knox® men's dress hats; Oxxford Clothes®, among the finest and most carefully crafted men's suits sold; Fra-For®, premium children's garments, sold primarily in France; and industrial apparel made by the Rainfair® division.

EXIMCO DIVISION
To enhance market development activities in the Eastern European nations and the People's Republic of China, EXIMCO last year established additional offices in Geneva, Switzerland and Hong Kong. The EXIMCO operating unit also assumed a new reponsibility, managing all offshore contract production for the company's domestic and international divisions.

Sales volume in Eastern Europe doubled last year, with customers served in five countries. The largest single Eastern European order in the company's history, nearly 800,000 units, was airlifted to East Germany in 13 chartered aircraft.

**SOCIAL RESPONSIBILITY**

Levi Strauss & Co. has long been identified as a U.S. industry leader in this vital area of human affairs. Touchstone of the company's definition of social responsibility is integrity in dealing with stockholders, employees, vendors and customers — as well as integrity in the quality of its products and its advertising. The integrity that pervades all dealings is based on fairness, honesty and mutual trust, as well as empathy with divergent points of view. This attitude, in management's opinion, does not conflict with the profit motive, but rather is a significant advantage in furthering the company's success.

One example of the company's social responsibility activities last year is found in the acclaim accorded its Community Involvement Teams. They consist of employee volunteers organized to assist the communities where company facilities are located in a wide variety of social endeavors. Some 80 such Levi Strauss & Co. teams were in place in 1979.

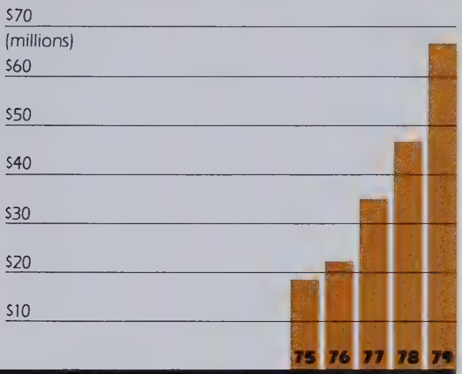
Last year the company received the Employment Management Association's National Service Award for leadership in corporate social responsibility, an accolade in the U.S. which singled out the Community Involvement Teams program and the more than 37,000 volunteer hours donated by employees.

On the other side of the globe, the Community Involvement Team in the Philippines received the "A. Mabini Rehabilitation Award for Employer of the Year" from the president of the Philippines. This recognized the team's assistance in establishing a profit-making business for the handicapped. Named "Handi-Phil," this small business fabricates work gloves from scrap denim.

In keeping with the company's 1980 Olympics promotion, many Community Involvement Teams assisted local chapters of the Special Olympics, which sponsors this competition for the handicapped. This help included outfitting more than 4,500 athletes and chaperones for the 1979 International Special Olympics in Brockport, New York.


USA
1980
USA

**Advertising Expenditures**




This range of attire from the Activewear Division includes both men's and women's styles. The blue denim bags are from the Accessories Division.

## EQUAL EMPLOYMENT OPPORTUNITY

The following table, which shows percentages of employees at all U.S. facilities, is a regular feature of this report.

| | Females 1979 | Females 1978 | Minorities 1979 | Minorities 1978 |
|---|---|---|---|---|
| Officials & Managers | 24.0 | 24.1 | 14.2 | 15.4 |
| Professionals | 43.0 | 43.5 | 26.5 | 21.4 |
| Technicians | 30.1 | 39.1 | 54.7 | 41.4 |
| Sales | 16.4 | 10.8 | 12.3 | 11.2 |
| Office & Clerical | 83.3 | 81.5 | 37.8 | 38.7 |
| Craftworkers | 52.2 | 51.6 | 45.8 | 42.1 |
| Operatives | 90.7 | 90.2 | 54.8 | 50.4 |
| Service Workers | 27.9 | 26.5 | 57.1 | 56.5 |
| Total | 80.9 | 80.5 | 49.6 | 45.8 |

The new job evaluation system which was instituted in 1978 for officials and managers, professionals, and sales, was extended in 1979 to technicians and office and clerical. The re-evaluation process resulted in shifts for some employees from one EEO category to another, and resulted in the distortion of some percentages. All categories, except technicians and service workers, increased in total size because of the rapid personnel growth the company experienced last year. While the numbers of minorities and women increased in all such growth categories, the percentages declined in some instances. Wherever the Affirmative Action Program more accurately anticipated the extent and type of the personnel need, the company was more successful in improving not only the numbers, but the percentages of minorities and women, such as in the sales category.

## LEGAL DEVELOPMENTS

In 1979 the company generally was involved in less litigation than in 1978, although a number of actions arising out of the Federal Trade Commission proceedings, settled in 1978, remain pending. This action alleged that the company engaged in illegal price maintenance in the early 1970's.

The tentative settlement agreement between the company and the State of California was terminated by mutual consent in July, 1979, and that matter is now being litigated in a California state court, where it is in early discovery stages.

The company also is defendant in actions brought by Connecticut, Nebraska, North Carolina and Tennessee, and there are investigations pending in several other states. In the past some states have begun investigations and then elected not to proceed further, so it is difficult to predict whether any of the pending investigations will result in litigation against the company. Similar actions were settled last year in the states of New York and Massachusetts and in early 1980, Texas.

In all events management continues to be of the opinion that even in the aggregate, these state antitrust suits will not have a material adverse effect upon the company's financial condition.

The company also continued to press forward in its legal efforts to prevent misuse of its trademarks and the sale of counterfeit Levi's® jeans. To this end, the company last year obtained several injunctions and consent orders around the world against trademark misuse and counterfeiting and received additional monetary damage settlements from participants in counterfeiting schemes.

## NEW CORPORATE HEADQUARTERS

In June of 1979, ground was broken for a new corporate headquarters facility on a four-square-block area on San Francisco's waterfront. Designated Levi's Plaza, the complex will incorporate a park-like area with a flowing stream, and is expected to become a San Francisco landmark. The buildings, the highest of which is seven stories, have been specially designed to provide the most productive working environment possible for the corporate, group and divisional staffs.

The brick buildings, encompassing approximately 800,000 square feet of office space, are designed to complement the architectural style of the immediate neighborhood, San Francisco's well-known Telegraph Hill. The company will occupy approximately 500,000 square feet of the project, which is scheduled for completion in the Spring of 1981.

This section reviews operating results from the financial perspective, giving greater statistical detail than the preceding sections. Furthermore, it relates principally to data included in the Consolidated Financial Statements or the Ten-Year Financial Summary, and includes comparisons of 1979, 1978 and 1977 results.

On February 16, 1979, the company purchased 2,000,000 shares of its common stock (unadjusted for its December 10, 1979 stock split) at a price of $43.50 per share, or a total cost of $87 million plus related expenses, paid for with the company's cash and temporary investments of cash. The purchase was considered to be an appropriate investment of a portion of the company's funds. As described further below, net income per share was favorably influenced by this purchase.

Effective September 10, 1979, the company acquired Koracorp Industries Inc. (Koracorp), for a total consideration of $70 million in cash and stock, and merged it into Diversified Apparel Enterprises, Inc. (DAE), a wholly owned subsidiary of the company. DAE operations have been included in the consolidated results only from the date of acquisition and, accordingly, did not have a material impact on results except as noted below.

Effective December 10, 1979, the board of directors approved a two-for-one stock split. As a result, per share data presented below has been adjusted for the split.

**Sales**
(Dollar amounts in millions)

| | 1979 | 1978 | 1977 | % Increase 1979 Over 1978 | % Increase 1978 Over 1977 |
|---|---|---|---|---|---|
| United States | $1,339 | $1,088 | $1,072 | 23.1% | 1.4% |
| International | 764 | 594 | 487 | 28.6% | 22.0% |
| Total | $2,103 | $1,682 | $1,559 | 25.0% | 7.9% |

Sales gains were the result of both higher unit sales and improvements in the average selling price. The latter was impacted by changes in product mix, specific price increases within the anti-inflation price guidelines and currency fluctuations in international operations.

In 1979, the increase in sales was due to a 16.5 percent rise in units sold and a 7.7 percent advance in the average selling price. The comparable figures for 1978 were 1.3 and 6.5 percent, respectively.

The dollar increase in consolidated 1979 sales was strong in both the domestic and international operations as the company introduced new product categories on a worldwide basis. In 1978 the increase was principally due to a strong performance in international operations as domestic sales were affected by a leveling of the U.S. Jeanswear Division market and a tendency among retailers to keep inventories at low levels. Sales gains in the other U.S. divisions more than offset these negative factors, bringing 1978 domestic sales marginally ahead of the 1977 record.

**Gross Profit**
Gross profit margins were 37.7 percent in 1979, contrasted with 37.1 percent in 1978 and 36.1 percent in 1977. Improved margins were attained by a continuing emphasis on production efficiency and changes in product mix and pricing. Furthermore, in 1978 a general weakening of the U.S. dollar in the world monetary markets also favorably impacted gross margins.

On the other hand, gross profits in all the periods were negatively affected by charges resulting from the weakening of certain foreign currencies against the dollar, which made it necessary to reduce foreign inventory values expressed in U.S. dollars. Such charges were $11.8 million in 1979, $7.4 million in 1978 and $8.5 million in 1977. (See "Effect of Currency Fluctuations.")

**Marketing, General and Administrative Expenses**
These expenses increased as a percent of sales to 22.0 percent in 1979 compared to 20.5 percent in 1978 and 18.4 percent in 1977.

The increase in 1979 was partially due to a non-recurring charge of $6.6 million for special awards to employees, an increase in charitable contributions of $3.2 million and an increase of $19.3 million in advertising expenditures. In addition, in both 1979 and 1978 additional expenditures were required to support the growth which came from market and product diversification.

**Interest Expense**
The $1.3 million increase in this category in 1979 was due to DAE interest expense from the date of acquisition. The $8.9 million drop in 1978 was almost entirely due to a substantial decrease in short-term foreign borrowings at a significantly reduced average interest rate.

**Interest and Other Income, Net**
This income statement category increased by $15.7 million to $28.2 million in 1979, compared to a decrease of $1.4 million to $12.5 million in 1978.

Included in this classification were interest income and purchase discounts which increased by $11.8 million in 1979 and $4.5 million in 1978. Interest income rose primarily as a result of an increase in average temporary investments of cash at substantially higher interest rates. Interest income in 1979 was reduced by approximately $6.8 million as a result of the company's purchase of 2,000,000 shares of its common stock and by $.7 million due to the acquisition of Koracorp. Interest income in 1980 will reflect the first full year impact of these purchases.

Also included were currency translation losses of $3.3 million and $2.3 million in 1979 and 1978, respectively, compared to essentially no gain or loss in 1977. (See "Effect of Currency Fluctuations.")

Finally, in 1978 this category included a $3.5 million payment to the State of California pursuant to a tentative settlement of a suit by the Attorney General's Office alleging price maintenance during the period 1972-1975.

**Income Taxes**
The effective income tax rate was 44.6 percent in 1979 compared to 48.3 percent in 1978 and 51.9 percent in 1977. The 1979 rate was favorably impacted by a legislated reduction in the U.S. rate from 48 percent to 46 percent, the utilization of tax loss carry-forwards in international operations and an income tax relief related to inventories in the United Kingdom.

**Net Income and Net Income Per Share**
The purchase of 2,000,000 shares of the company's common stock had a $3.6 million negative impact on net income in 1979. (See "Interest and Other Income, Net.") Despite this reduction, net income per share was favorably influenced by 24 cents per share due to the decrease in the common and common equivalent shares outstanding. As a result, the 1979 increase in net income of 32.1 percent was not proportional to the 39.6 percent increase in net income per share. If the purchase had occurred at the beginning of 1979, reported net income per share would have been seven cents higher. As noted above, 1980 will reflect the full year impact of the purchase.

The acquisition of Koracorp did not have a significant impact on net income or net income per share in 1979 since it occurred late in the year. If the acquisition had occurred at the beginning of 1979, reported net income would have been $3.7 million higher, however, earnings per share would have been two cents lower.

**Inventories**
Inventory levels were $441.8 million in 1979, up from $298.5 million in 1978 and $294.1 million in 1977. Approximately one-third of the 1979 increase resulted from the acquisition of Koracorp inventory while the remainder was required to support the growth in sales.

**Receivables**
Receivable balances were $340.1 million in 1979, $241.1 million in 1978 and $203.2 million in 1977. The increases were principally due to the growth in sales volume and, in 1979, the acquisition of Koracorp receivables. The continued application of prudent credit and collection policies have resulted in little fluctuation in the turnover rate.

**Debt/Equity**
Long-term debt increased to 14.6 percent of the company's total stockholders' equity at the end of 1979 compared to 14.5 percent in 1978 and 17.4 percent in 1977. If neither the purchase of 2,000,000 shares nor the acquisition of Koracorp had taken place in 1979, long-term debt would have decreased to 10.4 percent of equity.

**Effect of Currency Fluctuations**
The primary recorded effects on earnings of currency fluctuations and foreign exchange transactions — referred to as exchange gains or losses — are included in Interest and Other Income, Net. These exchange gains or losses result principally from translating foreign currency financial statements into U.S. dollars following a change in exchange rates. Gains and losses on specific foreign exchange contracts are also classified as exchange gains or losses.

As noted earlier, the devaluation of a foreign currency relative to the U.S. dollar can result in a write-down of the foreign inventory expressed in (translated into) U.S. dollars. Such write-downs are necessary to properly state these inventories at lower of cost or market and are in line with the company policy of maintaining normal gross profit margins on all inventories. These amounts are charged to Cost of Goods Sold and therefore reduce Gross Profit.

In 1979, the net effect of currency fluctuations and resulting inventory write-downs was a reduction in net income of $15.1 million, equal to 36 cents a share. The comparable reduction in 1978 and 1977, respectively, was $9.7 million, equal to 22 cents a share, and $8.5 million, equal to 19 cents a share.

In addition, gross and net margins in all the periods benefited from the weakening of the U.S dollar against currencies in certain countries in which the company does business. In 1978 this factor more than offset the negative items noted above, resulting in an overall positive impact on the profitability of the company.

**Dividends**

For the past three years, quarterly dividends declared per share have been as follows:

| Fiscal Quarter | 1979 | 1978 | 1977 |
|---|---|---|---|
| 1 | $.225 | $.20 | $.10 |
| 2 | .225 | .20 | .10 |
| 3 | .275 | .20 | .15 |
| 4 | .275 | .20 | .15 |
| | $1.00 | $.80 | $.50 |

At its July, 1979 meeting, the board of directors implemented a policy of considering changes to the dividend rate in July of each year.

**Quarterly Results**

Quarterly results for the years 1979, 1978 and 1977 were as follows:

| | Quarters | | | | Year |
|---|---|---|---|---|---|
| | (In Millions Except Per Share Data) | | | | |
| 1979 | First | Second | Third | Fourth | |
| Sales | $397.6 | $494.5 | $579.4 | $631.5 | $2,103.1 |
| Gross Profit | 154.6 | 185.4 | 217.9 | 235.9 | 793.8 |
| Net Income | 37.7 | 44.8 | 55.2 | 53.7 | 191.5 |
| Net Income Per Share | .86 | 1.10 | 1.36 | 1.28 | 4.58 |
| 1978 | | | | | |
| Sales | $371.3 | $381.0 | $471.9 | $457.8 | $1,682.0 |
| Gross Profit | 137.5 | 143.4 | 174.4 | 168.3 | 623.6 |
| Net Income | 32.7 | 30.7 | 41.4 | 40.2 | 145.0 |
| Net Income Per Share | .74 | .69 | .93 | .91 | 3.28 |
| 1977 | | | | | |
| Sales | $310.6 | $392.5 | $433.4 | $422.8 | $1,559.3 |
| Gross Profit | 114.1 | 138.4 | 153.1 | 156.9 | 562.6 |
| Net Income | 26.2 | 33.4 | 36.1 | 34.1 | 129.8 |
| Net Income Per Share | .59 | .75 | .82 | .77 | 2.93 |

The second, third and fourth quarters of 1979 reflect the purchase of 2,000,000 shares of common stock. The fourth quarter reflects the acquisition of Koracorp and was also favorably impacted by an income tax relief related to inventories in the United Kingdom.

In 1978 the fourth quarter performance was favorably affected by a reduced effective tax rate and foreign currency fluctuations.

**Common Stock Price**

The market prices of Levi Strauss & Co. common stock during 1979, 1978 and 1977 were as follows:

| Fiscal Quarter | 1979 | | 1978 | | 1977 | |
|---|---|---|---|---|---|---|
| | High | Low | High | Low | High | Low |
| 1 | 21 3/8 | 17 | 15 1/4 | 13 5/8 | 15 3/8 | 12 5/8 |
| 2 | 25 1/2 | 20 1/2 | 18 7/8 | 13 7/8 | 15 1/8 | 12 5/8 |
| 3 | 31 3/4 | 23 3/4 | 19 1/4 | 16 | 15 7/8 | 13 |
| 4 | 34 1/2 | 27 3/8 | 19 3/8 | 15 3/4 | 15 1/8 | 12 1/8 |

## GEOGRAPHIC AREAS

Levi Strauss & Co. and Subsidiaries
(Dollar Amounts in Thousands)

| | | 1979 | 1978 | 1977 | 1976 |
|---|---|---|---|---|---|
| **Net Sales to Unaffiliated Customers:** | United States | $1,338,932 | $1,087,820 | $1,072,373 | $ 863,800 |
| | Europe | 412,739 | 314,860 | 237,414 | 146,066 |
| | Other International | 351,438 | 279,339 | 249,554 | 209,875 |
| | | $2,103,109 | $1,682,019 | $1,559,341 | $1,219,741 |
| **Sales Between Operations:** | United States | $ 671 | $ 17 | $ 749 | $ 3,497 |
| | Europe | 121 | 108 | — | — |
| | Other International | 22,571 | 28,512 | 31,295 | 10,231 |
| | | $ 23,363 | $ 28,637 | $ 32,044 | $ 13,728 |
| **Total Sales:** | United States | $1,339,603 | $1,087,837 | $1,073,122 | $ 867,297 |
| | Europe | 412,860 | 314,968 | 237,414 | 146,066 |
| | Other International | 374,009 | 307,851 | 280,849 | 220,106 |
| | Eliminations | (23,363) | (28,637) | (32,044) | (13,728) |
| | | $2,103,109 | $1,682,019 | $1,559,341 | $1,219,741 |
| **Profit Contribution Before Corporate Expenses and Interest Expense:** | United States | $ 245,993 | $ 200,518 | $ 235,589 | $ 190,014 |
| | Europe | 95,058 | 77,200 | 54,966 | 24,791 |
| | Other International | 48,518 | 36,074 | 14,068 | 13,951 |
| | | $ 389,569 | $ 313,792 | $ 304,623 | $ 228,756 |
| **Other Charges to Income:** | Corporate expenses, net | $ 31,571 | $ 22,245 | $ 14,609 | $ 9,775 |
| | Interest expense | 12,449 | 11,178 | 20,048 | 12,156 |
| | | $ 44,020 | $ 33,423 | $ 34,657 | $ 21,931 |
| **Income Before Taxes** | | $ 345,549 | $ 280,369 | $ 269,966 | $ 206,825 |
| **Assets:** | United States | $ 675,142 | $ 455,687 | $ 413,522 | $ 343,454 |
| | Europe | 205,582 | 124,435 | 107,082 | 67,401 |
| | Other International | 194,382 | 151,818 | 138,819 | 133,510 |
| | Corporate | 216,013 | 241,934 | 164,730 | 133,669 |
| | | $1,291,119 | $ 973,874 | $ 824,153 | $ 678,034 |

No single customer accounts for 10% or more of net sales. Sales from the United States to foreign unaffiliated customers are immaterial to total trade sales. In the International operations, profit on sales between divisions is recognized by the operation making the final sale to unaffiliated customers.

## 10-YEAR FINANCIAL SUMMARY

Levi Strauss & Co. and Subsidiaries
(Dollar Amounts in Millions Except Per Share Data)

| **Year Ended November:** | | 1979 | 197 |
|---|---|---|---|
| | Net Sales | $2,103.1 | $1,68 |
| | Gross Profit | $ 793.8 | $ 62 |
| | Interest Expense | 12.4 | 1 |
| | Income Before Taxes | 345.6 | 28 |
| | Provision for Taxes on Income | 154.1 | 13 |
| | Net Income | $ 191.5 | $ 14 |
| | Earnings Retained in the Business | $ 151.1 | $ 11 |
| | Cash Flow Retained in the Business[2] | 176.9 | 12 |
| | Income Before Taxes as % of Sales | 16.4% | 1 |
| | Net Income as % of Sales | 9.1% | |
| | Net Income as % of Beginning Stockholders' Equity | 33.3% | 3 |
| | Current Assets | $1,047.1 | $ 82 |
| | Current Liabilities | 489.7 | 30 |
| | Working Capital | 557.4 | 52 |
| | Ratio of Current Assets to Current Liabilities | 2.14/1 | 2.73 |
| | Long-Term Debt—Less Current Maturities | $ 99.1 | $ 8 |
| | Stockholders' Equity | 681.2 | 57 |
| | Capital Expenditures | $ 51.3 | $ 4 |
| | Depreciation | 18.2 | 1 |
| | Property, Plant & Equipment—Net | 188.5 | 14 |
| | Number of Employees | 44,700 | 35,1 |
| **Per Share Data:**[3] | Net Income | $ 4.58 | $ 3. |
| | Cash Dividends Declared | 1.00 | . |
| | Book Value (on Shares Outstanding at Year End) | 16.50 | 13. |
| | Market Price Range | 34 1/2–17 | 19 3/8–13 |
| | Average Common and Common Equivalent Shares Outstanding | 41,784,058 | 44,229,8 |

1 Restated in accordance with the requirements of the Financial Accounting Standards Board Statement on Accounting for Leases.
2 Working capital provided by operations minus dividends declared.
3 Share and per share data adjusted for two-for-one stock split effected December 10, 1979.

| 1977 | 1976[1] | 1975 | 1974 | 1973 | 1972 | 1971 | 1970 |
|---|---|---|---|---|---|---|---|
| $1,559.3 | $1,219.7 | $1,015.2 | $ 897.7 | $ 653.0 | $ 504.1 | $ 432.0 | $ 349.5 |
| $ 562.6 | $ 439.9 | $ 347.4 | $ 275.5 | $ 184.4 | $ 160.3 | $ 129.6 | $ 112.0 |
| 20.0 | 12.2 | 13.1 | 13.7 | 10.1 | 4.3 | 4.4 | 4.4 |
| 270.0 | 206.8 | 136.7 | 72.7 | 33.8 | 48.1 | 35.7 | 37.7 |
| 140.2 | 102.1 | 71.9 | 37.9 | 22.0 | 23.0 | 16.0 | 19.1 |
| $ 129.8 | $ 104.7 | $ 64.7 | $ 34.9 | $ 11.9 | $ 25.0 | $ 19.7 | $ 18.6 |
| $ 108.0 | $ 94.8 | $ 58.6 | $ 29.6 | $ 6.6 | $ 20.9 | $ 16.3 | $ 15.7 |
| 128.7 | 110.6 | 71.7 | 45.7 | 17.7 | 28.6 | 22.5 | 20.6 |
| 17.3% | 17.0% | 13.5% | 8.1% | 5.2% | 9.5% | 8.3% | 10.8% |
| 8.3% | 8.6% | 6.4% | 3.9% | 1.8% | 5.0% | 4.6% | 5.3% |
| 35.8% | 39.5% | 31.4% | 19.8% | 7.0% | 16.8% | 23.2% | 26.8% |
| $ 694.2 | $ 570.1 | $ 407.6 | $ 383.5 | $ 305.5 | $ 252.4 | $ 202.8 | $ 169.0 |
| 263.5 | 226.6 | 155.4 | 188.1 | 155.7 | 98.2 | 67.9 | 87.9 |
| 430.7 | 343.5 | 252.2 | 195.3 | 149.8 | 154.2 | 134.9 | 81.1 |
| 2.63/1 | 2.52/1 | 2.62/1 | 2.04/1 | 1.96/1 | 2.57/1 | 2.99/1 | 1.92/1 |
| $ 80.6 | $ 79.2 | $ 68.7 | $ 72.2 | $ 48.1 | $ 37.6 | $ 28.4 | $ 25.4 |
| 463.9 | 362.4 | 265.2 | 206.0 | 176.4 | 169.7 | 148.8 | 85.0 |
| $ 31.4 | $ 19.5 | $ 10.4 | $ 24.3 | $ 28.8 | $ 17.6 | $ 15.6 | $ 14.5 |
| 13.7 | 11.6 | 9.3 | 9.7 | 8.3 | 6.4 | 5.1 | 4.3 |
| 119.3 | 102.4 | 82.1 | 82.3 | 68.0 | 48.0 | 39.6 | 29.2 |
| 37,200 | 32,500 | 29,700 | 30,100 | 29,100 | 25,100 | 21,400 | 18,900 |
| $ 2.93 | $ 2.35 | $ 1.47 | $ .80 | $ .27 | $ .57 | $ .47 | $ .48 |
| .50 | .23 | .14 | .12 | .12 | .10 | .08 | .08 |
| 10.66 | 8.25 | 6.08 | 4.73 | 4.05 | 3.90 | 3.42 | 2.17 |
| 15 7/8–12 1/8 | 13 3/8–9 | 10 3/4–3 1/8 | 5 5/8–3 1/8 | 12 1/2–4 1/4 | 15–10 1/8 | 16 1/8–8 3/8 | — |
| 44,257,346 | 44,476,748 | 43,899,028 | 43,520,320 | 43,520,320 | 43,520,320 | 42,344,000 | 38,644,000 |

## CONSOLIDATED BALANCE SHEETS

Levi Strauss & Co. and Subsidiaries
(Dollar Amounts in Thousands)

| | | November 25, 1979 | November 26, 1978 |
|---|---|---|---|
| **Assets** | Current Assets: | | |
| | Cash | $ 27,454 | $ 34,866 |
| | Temporary investments of cash | 195,297 | 219,955 |
| | Trade receivables (less allowances for doubtful accounts: 1979—$8,340; 1978—$5,489) | 340,131 | 241,125 |
| | Inventories: | | |
| | Raw materials and work-in-process | 216,820 | 135,146 |
| | Finished goods | 225,001 | 163,348 |
| | Other current assets | 42,411 | 29,787 |
| | Total current assets | $1,047,114 | $824,227 |
| | Property, Plant and Equipment (less accumulated depreciation: 1979—$101,989; 1978—$88,707) | 188,495 | 141,319 |
| | Other Assets | 55,510 | 8,328 |
| | | $1,291,119 | $973,874 |

| | | November 25, 1979 | November 26, 1978 |
|---|---|---|---|
| **Liabilities and Stockholders' Equity** | Current Liabilities: | | |
| | Current maturities of long-term debt | $ 15,832 | $ 9,741 |
| | Short-term borrowings | 53,535 | 11,623 |
| | Accounts payable | 154,929 | 89,102 |
| | Accrued liabilities | 83,802 | 65,962 |
| | Salaries, wages and employee benefits | 85,181 | 57,558 |
| | Taxes based on income | 85,069 | 59,662 |
| | Dividends payable | 11,357 | 8,757 |
| | Total current liabilities | $ 489,705 | $302,405 |
| | Long-Term Debt—Less current maturities | $ 99,126 | $ 83,292 |
| | Deferred Liabilities | $ 21,098 | $ 12,859 |
| | Stockholders' Equity: | | |
| | Common stock—$1.00 par value: Authorized 50,000,000 shares; Issued 21,999,404 shares | $ 21,999 | $ 21,999 |
| | Additional paid-in capital | 82,424 | 71,895 |
| | Retained earnings | 636,010 | 484,947 |
| | | $ 740,433 | $578,841 |
| | Less treasury stock, at cost: 1979—1,354,949 shares; 1978—111,621 shares | 59,243 | 3,523 |
| | Total stockholders' equity | $ 681,190 | $575,318 |
| | | $1,291,119 | $973,874 |

The accompanying accounting policies and notes to consolidated financial statements are an integral part of these balance sheets.

## CONSOLIDATED STATEMENT OF INCOME

Levi Strauss & Co. and Subsidiaries
(Dollar Amounts in Thousands Except Per Share Data)

| | Year (52 weeks) Ended | |
|---|---|---|
| | November 25, 1979 | November 26, 1978 |
| Net sales | $2,103,109 | $1,682,019 |
| Cost of goods sold | 1,309,263 | 1,058,439 |
| Gross profit | $ 793,846 | $ 623,580 |
| Marketing, general and administrative expenses | 464,086 | 344,536 |
| Operating income | $ 329,760 | $ 279,044 |
| Interest expense | 12,449 | 11,178 |
| Interest and other income, net | (28,238) | (12,503) |
| Income before taxes | $ 345,549 | $ 280,369 |
| Provision for taxes on income | 154,095 | 135,400 |
| Net income | $ 191,454 | $ 144,969 |
| Net income per share* | $ 4.58 | $ 3.28 |
| Average common and common equivalent shares outstanding* | 41,784,058 | 44,229,872 |

## CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY

Levi Strauss & Co. and Subsidiaries
(Dollar Amounts in Thousands Except Per Share Data)

| | Common Stock | Additional Paid-In Capital | Retained Earnings | Treasury Stock |
|---|---|---|---|---|
| Balance November 27, 1977 | $21,999 | $73,178 | $374,950 | $ (6,272) |
| Net income | | | 144,969 | |
| Purchases of treasury stock | | | | (3,611) |
| Shares issued to employees | | (1,283) | | 6,360 |
| Cash dividends declared ($.80 per share*) | | | (34,972) | |
| Balance November 26, 1978 | $21,999 | $71,895 | $484,947 | $ (3,523) |
| Net income | | | 191,454 | |
| Purchase of treasury stock | | | | (87,451) |
| Shares issued to employees | | (2,444) | | 7,443 |
| Shares issued in connection with acquisition | | 12,973 | | 24,288 |
| Cash dividends declared ($1.00 per share*) | | | (40,391) | |
| Balance November 25, 1979 | $21,999 | $82,424 | $636,010 | $(59,243) |

*Adjusted for two-for-one stock split effected December 10, 1979.

The accompanying accounting policies and notes to consolidated financial statements are an integral part of these statements.

## CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

Levi Strauss & Co. and Subsidiaries
(Dollar Amounts in Thousands)

| | | Year (52 weeks) Ended November 25, 1979 | Year (52 weeks) Ended November 26, 1978 |
|---|---|---|---|
| **Working Capital Provided By:** | Operations: | | |
| | Net income | $191,454 | $144,969 |
| | Add items not currently involving working capital: | | |
| | Depreciation and amortization | 20,430 | 17,606 |
| | Other, net | 5,380 | (2,140) |
| | Working capital provided by operations | $217,264 | $160,435 |
| | Common stock issued in acquisition of Koracorp Industries Inc. | 37,261 | — |
| | Proceeds from long-term debt | 8,400 | 14,411 |
| | Common stock issued to employees | 4,999 | 5,077 |
| | Working capital provided | $267,924 | $179,923 |
| **Working Capital Used For:** | Additions to property, plant and equipment | $ 51,254 | $ 42,863 |
| | Cash dividends declared | 40,391 | 34,972 |
| | Acquisition of Koracorp Industries Inc. (less working capital of $34,961): | | |
| | Property, plant and equipment | 17,702 | — |
| | Other assets | 4,885 | — |
| | Goodwill | 39,341 | — |
| | Long-term liabilities assumed | (26,054) | — |
| | Purchases of treasury stock | 87,451 | 3,611 |
| | Reductions in long-term debt | 15,505 | 11,766 |
| | Other, net | 1,862 | (4,379) |
| | Working capital used | $232,337 | $ 88,833 |
| **Increase in working capital** | | $ 35,587 | $ 91,090 |
| **Increase (Decrease) in Working Capital, Represented by Change in:** | Cash and temporary investments of cash | $(32,070) | $ 93,880 |
| | Trade receivables, net | 99,006 | 37,886 |
| | Inventories | 143,327 | 4,391 |
| | Other current assets | 12,624 | (6,188) |
| | Current maturities of long-term debt and short-term borrowings | (48,003) | 20,290 |
| | Accounts payable and accrued liabilities | (83,667) | (51,983) |
| | Other current liabilities | (55,630) | (7,186) |
| **Increase in working capital** | | $ 35,587 | $ 91,090 |

The accompanying accounting policies and notes to consolidated financial statements are an integral part of this statement.

## ACCOUNTING POLICIES
(Dollar Amount in Thousands)

| | |
|---|---|
| **Principles of Consolidation** | The consolidated financial statements include the accounts of the Company and all its subsidiaries. |
| **Inventory Valuation** | Inventories are valued substantially at the lower of average cost or market. Market is based on anticipated selling price less allowances to maintain the Company's normal gross margin for each product line. |
| **Leases** | Capital leases are recorded in the accounts as assets and related obligations. Operating leases are recorded as charges to income in the period when rentals are due. |
| **Depreciation Methods** | Depreciation is generally computed on a straight-line basis over the estimated useful lives of the related assets. |
| **Retirement Plans** | Pension costs include the cost of current service and the amortization of unfunded past service liabilities over periods of up to sixteen years. Pension costs normally are funded as accrued. |
| **Income Taxes** | Deferred income taxes are provided on timing differences in the recognition of income and expense for tax and for financial statement purposes. The Company does not provide for taxes which would be payable if the net cumulative undistributed earnings ($174,753 at November 25, 1979) of its foreign subsidiaries were remitted to the Company. Normally such earnings are reinvested in the subsidiary operations unless it is advantageous for tax or foreign exchange reasons to remit a subsidiary's earnings. The tax on these earnings, if remitted, would in large part be offset by existing foreign tax credits. |
| **Net Income Per Share** | Earnings per share are calculated on the basis of the average number of common shares outstanding for the period including a minor dilutive effect of stock options granted and outstanding. |

(Dollar Amounts in Thousands Except Per Share Data)

### Operations

Information concerning the Company's domestic and foreign operations (all in the apparel industry) may be found on page 19. These results include the effect of exchange losses of $3,324 in 1979 and $2,263 in 1978. Also, as a result of currency devaluations, inventory values, as expressed in U.S. dollars, were reduced by $11,762 in 1979 and $7,438 in 1978 to maintain normal gross margins. Substantially all of these amounts, which totaled $15,086 in 1979 and $9,701 in 1978, affect the profit contribution from international operations.

### Acquisition

Effective September 10, 1979, Koracorp Industries Inc. (Koracorp) was merged into Diversified Apparel Enterprises, Inc. (DAE), a wholly owned subsidiary of the Company. The total consideration of approximately $70,000, excluding expenses, consisted of $32,747 in cash, $34,000 in shares of the Company's common stock (555,413 shares) and $3,261 which represented the value, net of option price, which may be payable in the future in additional shares of the Company's common stock issuable upon exercise of Koracorp employee stock options which were assumed by the Company. Koracorp, now DAE, is principally engaged in the manufacture and sale of apparel. The transaction has been accounted for as a purchase and, accordingly, the operations of DAE are included in the consolidated statement of income from the date of acquisition. The excess of the purchase price over the fair value of the net assets acquired (goodwill) of $39,341 is being amortized, using the straight-line basis, over fifteen years.

The following table summarizes, on an unaudited pro forma basis, the results of the Company's operations as though Koracorp had been acquired at the beginning of fiscal year 1978:

| | 1979 | 1978 |
|---|---|---|
| Net sales | $2,234,384 | $1,864,614 |
| Net income | 195,115 | 148,679 |
| Net income per share (adjusted for two-for-one stock split) | 4.56 | 3.27 |

### Property, Plant and Equipment

The components of property, plant and equipment, including both leased and owned assets stated at cost, are shown in the table below:

| | 1979 | | 1978 | |
|---|---|---|---|---|
| | Owned | Leased | Owned | Leased |
| Land | $ 7,490 | $ 998 | $ 5,444 | $ 715 |
| Buildings and leasehold improvements | 95,731 | 27,483 | 81,363 | 24,506 |
| Machinery and equipment | 137,548 | 6,441 | 109,262 | 7,108 |
| Construction in progress | 14,793 | — | 1,628 | — |
| | $255,562 | $34,922 | $197,697 | $32,329 |
| Less accumulated depreciation | 92,039 | 9,950 | 79,321 | 9,386 |
| | $163,523 | $24,972 | $118,376 | $22,943 |

Depreciation expense for 1979 and 1978 amounted to $18,224 and $16,126, respectively.

## Income Taxes

The provision for taxes on income consists of:

| | Federal | State | Foreign | Total |
|---|---|---|---|---|
| 1979 | | | | |
| Current | $96,564 | $10,072 | $46,540 | $153,176 |
| Deferred | (3,244) | (126) | 4,289 | 919 |
| | $93,320 | $ 9,946 | $50,829 | $154,095 |
| 1978 | | | | |
| Current | $85,870 | $ 8,118 | $42,322 | $136,310 |
| Deferred | (1,476) | (45) | 611 | (910) |
| | $84,394 | $ 8,073 | $42,933 | $135,400 |

The Company's effective income tax rate was 44.6% in 1979 and 48.3% in 1978. The difference between the effective rates and the U.S. Federal income tax rate of 46.19% in 1979 and 48% in 1978 is due primarily to the effect of foreign currency fluctuations, state income taxes, the incurrence and utilization of foreign operating losses and various differences in tax regulations between foreign countries and the United States.

## Short-Term Borrowings and Lines of Credit

Short-term borrowings and unused lines of credit are summarized below:

| | 1979 | 1978 |
|---|---|---|
| During the Year: | | |
| Average borrowings | $ 45,438 | $ 23,023 |
| Average interest rate | 12.1% | 14.5% |
| Maximum borrowings based on month-end balances | $ 53,535 | $ 43,419 |
| At November 25, 1979 and November 26, 1978: | | |
| Total borrowings | $ 53,535 | $ 11,623 |
| Average interest rate | 10.7% | 8.2% |
| Unused lines of credit: | | |
| Domestic | $111,000 | $ 70,000 |
| Foreign | $169,000 | $180,000 |

The domestic lines provide for borrowings on renewable short-term notes at bank prime interest rates. The foreign lines provide for borrowings on both renewable short-term notes and on an overdraft basis at varying rates. The most common terms of the credit lines with domestic banks include an average annual compensating balance requirement of 10% of the line of credit or 20% of the amount borrowed, whichever is greater. These compensating balances, which are not legally restricted, are available to the Company for operating purposes and are compensation to the banks for other services. Credit arrangements with foreign lenders generally have no compensating balance requirements.

## Long-Term Debt

Long-term debt is summarized below:

| | 1979 | 1978 |
|---|---|---|
| Secured by Properties: | | |
| Notes payable, 4% to 22%, due in installments through 2003 | $ 25,017 | $18,719 |
| Capital leases due through 1997 | 26,003 | 23,430 |
| | $ 51,020 | $42,149 |
| Unsecured: | | |
| Notes payable to an insurance company, 8¾%, due in annual installments of $2,960 through 1991 | 35,200 | 38,160 |
| Note payable to bank, assumed in the acquisition, 1¾% over prime (minimum of 8%, maximum of 10% per annum), due in annual installments of $2,000 through 1987 | 16,000 | — |
| Other unsecured indebtedness | 12,738 | 12,724 |
| Total long-term debt | $114,958 | $93,033 |
| Less current maturities | 15,832 | 9,741 |
| | $ 99,126 | $83,292 |

At November 25, 1979 and November 26, 1978 the original cost of properties pledged to secure indebtedness was $67,409 and $55,298, respectively.

The Company's principal debt agreement, among other things, limits the declaration of dividends (other than stock dividends) and the redemption of its capital stock. Under this agreement, the amount of retained earnings so restricted and the minimum amount of working capital which must also be maintained are substantially below current levels.

The aggregate long-term debt maturities for the next five years are:

| Year | Principal Payments |
|---|---|
| 1980 | $15,832 |
| 1981 | 10,784 |
| 1982 | 8,670 |
| 1983 | 8,835 |
| 1984 | 7,331 |

## Incentive Plans

The Company's Management Incentive Plan is based on achieving specified levels of profit and return on investment and on individual employee performance. Under the Plan, aggregate incentive awards in any year may not exceed 6% of the excess income before taxes over 15% of beginning stockholders' equity. The awards for 1979 and 1978 were $5,498 and $2,893, respectively, which were significantly below the maximum amounts allowable.

## Retirement and Savings Plans

The Company and certain of its subsidiaries have contributory profit sharing and noncontributory profit sharing, pension and employee retirement plans which provide retirement benefits for their employees except those covered by multi-employer union plans. At November 25, 1979 unfunded past service costs of such plans approximated $27,160.

The corporate Pension Plan and Employee Retirement Plan provide for contributions to actuarially fund defined employee retirement benefits.

Subject to certain limitations, the corporate Profit Sharing Plan requires a minimum annual contribution of approximately 3% of income before taxes and contributions to the Plan.

The Company also has a Stock Purchase and Investment Plan to which participating employees may make voluntary contributions of up to 10% of their earnings and may designate up to one-half of their contributions to be invested in Company stock. Unless there is a loss, the Company makes an additional contribution of 50% of the voluntary employee contributions designated for purchase of Company stock.

The aggregate cost of all these plans for 1979 and 1978 totaled $27,611 and $23,432, respectively.

## Common Stock

Changes in shares of common stock are summarized below:

| | Issued | Treasury Stock | Outstanding |
|---|---|---|---|
| Balance November 27, 1977 | 21,999,404 | (238,938) | 21,760,466 |
| Purchases of treasury stock | — | (110,889) | (110,889) |
| Shares issued to employees | — | 238,206 | 238,206 |
| Balance November 26, 1978 | 21,999,404 | (111,621) | 21,887,783 |
| Purchase of treasury stock | — | (2,000,000) | (2,000,000) |
| Shares issued to employees | — | 201,259 | 201,259 |
| Shares issued in connection with acquisition | — | 555,413 | 555,413 |
| Balance November 25, 1979 | 21,999,404 | (1,354,949) | 20,644,455 |

The treasury stock is available for issuance under the Company's Stock Option Plans, Stock Incentive Plan (Stock Service Award Program) and for future acquisitions.

Effective December 10, 1979 the Board of Directors approved a two-for-one stock split. As a result, certain financial information, including net income and dividends per share and average common and common equivalent shares outstanding, has been adjusted for the split.

## Stock Options

All share and per share information in this note has been adjusted for the two-for-one stock split. See Notes to Consolidated Financial Statements (Common Stock).

The Company has four stock option plans—the 1971 Plan, the 1976 Plan and two Koracorp Plans assumed in the acquisition. The stockholders have approved the 1971 and 1976 Plans under which qualified and non-qualified options have been granted to eligible employees at the fair market value on the date of grant. These plans allow the option holders to purchase up to 4,000,000 shares of the Company's common stock. The Koracorp Plans assumed under the merger have qualified options which allow the option holders to purchase up to 143,768 shares of the Company's common stock. All options become exercisable in installments with the qualified options expiring in five years and non-qualified expiring in ten years.

The 1971 and 1976 Plans also permit the granting of stock appreciation rights in connection with the granting of non-qualified options. Subject to certain limitations, such rights permit grantees to surrender a portion of their shares under option and receive cash or shares in the amount of the excess of the then market value over the option price of the shares surrendered.

The following summary sets forth activity under the Plans for the year ended November 25, 1979:

| | Shares Available Under | | |
|---|---|---|---|
| | Stock Options | Stock Options with Appreciation Rights | Option Price |
| Outstanding at November 26, 1978 | 1,497,638 | 250,000 | $ 4.19-17.03 |
| Granted | 608,860 | 172,400 | 17.19-27.47 |
| Assumed in the acquisition | 143,953 | — | 3.55-16.08 |
| Exercised | (354,688) | — | 3.96-17.03 |
| Cancelled | (60,750) | (12,000) | 6.50-17.03 |
| Outstanding at November 25, 1979 | 1,835,013 | 410,400 | $ 3.55-27.47 |

At November 25, 1979 the total options outstanding on 1,835,013 shares include those granted with stock appreciation rights. Options on 561,474 shares were exercisable and 1,052,672 shares were available for subsequent grant.

**Leases**

The Company and its subsidiaries are obligated under both long-term capital and operating leases for real estate (office space, warehouses, plants and other facilities) and equipment, primarily vehicles and computers.

At November 25, 1979 the Company was obligated as follows:

| | Type of Lease | |
|---|---|---|
| | Capital | Operating |
| Minimum Lease Payments: | | |
| Year Ended November | | |
| 1980 | $ 4,458 | $ 20,264 |
| 1981 | 3,419 | 16,543 |
| 1982 | 3,050 | 13,547 |
| 1983 | 2,462 | 11,364 |
| 1984 | 2,208 | 9,329 |
| Remaining years | 16,016 | 44,593 |
| Total minimum lease payments | $31,613 | $115,640 |
| For Capital Leases: | | |
| Less estimated executory costs | 1,230 | |
| Net minimum lease payments | $30,383 | |
| Less amount representing interest | 4,380 | |
| Present value of net minimum lease payments — see note on Long-Term Debt | $26,003 | |

In general, leases relating to real estate include renewal options of up to twenty years. Some leases contain escalation clauses relating to increases in executory

costs. Total rental expense for operating leases was $26,938 and $23,224 for 1979 and 1978, respectively.

**Commitments**

In late 1979 the Company entered into an agreement for the lease of a new headquarters, now under construction in San Francisco. The Company intends to move into the new facility in 1981 and will occupy approximately 500,000 square feet of office space.

The Company has agreed to purchase, if so requested, its unregistered common stock held in trust under the Employee Retirement Plan. Such shares would be acquired at the market price. At November 25, 1979 a total of 89,793 such shares were held in trust.

**Quarterly Data—Unaudited**

Summarized unaudited quarterly data for 1979 and 1978 may be found on page 18.

**Replacement Cost Information —Unaudited**

The Securities and Exchange Commission requires the Company to estimate and report information as to the replacement cost of its plant, equipment and inventory and the related impact on cost of sales and depreciation. The information was developed based on broad guidelines and the basic hypothetical assumption that the Company would replace virtually all its worldwide productive capacity and inventory as of November 25, 1979.

The results indicate that the estimated replacement cost exceeds the actual historical cost due to various factors which include general and specific price level changes, the economic life of the fixed assets and the turnover and costing system in the case of inventory. Historically, however, the Company has been able to successfully react to cost increases in maintaining a high level of profitability on sales. Detailed quantitative information relating to the estimated replacement cost amounts and the basis on which they have been calculated is included in the Company's annual report on Form 10-K, a copy of which is available on request.

## Report of Independent Public Accountants

**To the Stockholders and Board of Directors of Levi Strauss & Co.:**

We have examined the consolidated balance sheets of Levi Strauss & Co. (a Delaware corporation) and subsidiaries as of November 25, 1979 and November 26, 1978, and the consolidated statements of income, stockholders' equity and changes in financial position for the years then ended. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the financial statements referred to above present fairly the financial position of Levi Strauss & Co. and subsidiaries as of November 25, 1979 and November 26, 1978, and the results of their operations and the changes in their financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

ARTHUR ANDERSEN & CO.

San Francisco, California,
January 3, 1980.

| | |
|---|---|
| **Office of the President** | Walter A. Haas, Jr., Chairman of the Board and Chairman of the Executive Committee<br>Peter E. Haas, President and Chief Executive Officer<br>Robert T. Grohman, Executive Vice President and Chief Operating Officer |
| **Senior Officers** | Francis J. Brann, Senior Vice President; President, Levi Strauss USA<br>Robert D. Haas, Senior Vice President; President, New Business Group<br>Peter T. Jones, Senior Vice President, General Counsel<br>Alfred V. Sanguinetti, Senior Vice President; President, Group I — Levi Strauss USA<br>Thomas W. Tusher, Senior Vice President; President, Levi Strauss International |
| **Corporate Vice Presidents** | Thomas C. Borrelli, President, Jeanswear Division<br>James W. Cameron, Personnel<br>Harry H. Cohn, Executive Vice President, Group III — Levi Strauss USA*<br>Roy C. Johns, Jr., Director, Corporate Communications<br>David A. Kaled, Corporate Planning & Policy<br>Robert B. Kern, Corporate Secretary<br>James A. McDermott, Executive Vice President, Group II — Levi Strauss USA*<br>Robert F. McRae, President, Canada Division<br>Gerald E. O'Shea, Assistant to the Chief Operating Officer<br>Karl F. Slacik, Finance and Treasurer<br>Peter L. Thigpen, Executive Vice President, Group I — Levi Strauss International<br>* New title announced 2-1-80: Not reflected in preceding text |
| **Directors** | Walter A. Haas (Deceased — December 7, 1979)<br>Daniel E. Koshland (Deceased — December 10, 1979)<br>Walter A. Haas, Jr.,[1,6] Chairman of the Board and Chairman of the Executive Committee<br>Peter E. Haas,[1,6] President and Chief Executive Officer<br>Ross F. Anderson,[1,4,5,6] Business Consultant, Retired Group President and Director of Federated Department Stores, Inc.<br>Francis J. Brann[1]<br>Mary Lothrop Bundy,[2,4] Vice Chairman, Radcliffe College Board of Trustees<br>Harry H. Cohn<br>Joseph F. Cullman 3rd,[2,3] Chairman of the Executive Committee of the Board, Philip Morris Incorporated<br>George J. Daly (Deceased — December 27, 1979)<br>Robert T. Grohman[1,6]<br>Robert D. Haas<br>Roger W. Heyns,[1,2,4,5] President, William and Flora Hewlett Foundation<br>Peter T. Jones<br>Robert B. Kern[1]<br>William R. Kimball,[3,4,5,6] President, Kimball & Co.<br>Arjay Miller,[2,3,5] Dean Emeritus of the Graduate School of Business — Stanford University<br>Luis G. Nogales,[2,4] Senior Vice President, Golden West Broadcasters<br>Barbara Scott Preiskel, Senior Vice President and General Attorney, Motion Picture Association of America (Effective May 1, 1980)<br>Alfred V. Sanguinetti[1]<br>Thomas W. Tusher[1]<br>1 Member, Executive Committee<br>2 Member, Audit Committee<br>3 Member, Senior Compensation and Stock Option Committee<br>4 Member, Corporate Ethics and Social Responsibility Committee<br>5 Member, Committee on Nominations<br>6 Member, Acquisitions Committee |

| | |
|---|---|
| **Executive Offices** | Two Embarcadero Center, San Francisco, California 94106 (415) 544-6000 |
| **Transfer Agent and Registrar** | Crocker National Bank, Stock Transfer Division<br>P.O. Box 38005, San Francisco, California 94138<br><br>Crocker National Bank, Stock Transfer Division<br>2 Broadway, New York, New York 10004 |
| **Stock Listing** | Levi Strauss & Co. (LVI) common stock is listed on the New York and Pacific Stock Exchanges |
| **Annual Meeting** | The annual stockholders' meeting will be held on Wednesday, April 2, 1980, at 10:30 A.M. at the Masonic Auditorium, 1111 California Street, San Francisco, California. |
| **Form 10-K Availability** | A copy of the company's Form 10-K (filed with the Securities and Exchange Commission) is available without charge to any stockholder. Requests should be sent to Director of Investor Relations, Levi Strauss & Co., Two Embarcadero Center, San Francisco, California 94106 |
| **Shareholders' Investment Service Plan** | Dividend Reinvestment and Cash Payment Plans are available to stockholders of Levi Strauss & Co. Information may be obtained from the Stock Transfer Division of Crocker National Bank, P.O. Box 38005, San Francisco, California 94138. |



Designed and produced by Robert Miles Runyan & Associates.


LEVI'S